



IOWA GENERAL ASSEMBLY  
**LEGISLATIVE SERVICES AGENCY**

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**DIVISIONS**

LEGAL SERVICES  
RICHARD L. JOHNSON

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FISCAL SERVICES  
HOLLY M. LYONS

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COMPUTER SERVICES  
GLEN P. DICKINSON

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ADMINISTRATIVE SERVICES  
TIMOTHY C. FALLER

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**MEMORANDUM**

TO: Legislative Fiscal Committee

FROM: Dave Reynolds

DATE: June 1, 2006

RE: Department of Human Services **Revised** Lease Purchase Notification

The Department of Human Services (DHS) has submitted a **revised** lease purchase notification to implement energy conservation improvements at the Woodward Resource Center. These improvements were previously included in a larger proposal totaling \$14.8 million, which incorporated improvements at additional DHS facilities. The notice for this initial proposal was sent to Committee members on May 11, 2006.

The Department has worked with the State of Iowa Facilities Improvement Corporation (SIFIC) to identify the energy conservation improvements and the associated utility cost savings. The financing is being coordinated through the Treasurer of State's Office.

The total estimated cost of the agreement is \$3.2 million, which includes \$2.5 million in principal and \$657,500 in interest. The annual lease payments are projected to total \$317,000 and will be paid from the Resource Center's federal, state, and local fund sources. The SIFIC estimates annual utility savings of \$163,000 as a result of the improvements, which is intended to offset a portion of the annual lease purchase payment.

Additional information concerning the lease purchase is provided in the attachment. If you have any questions, do not hesitate to contact me at (515) 281-6934.

cc: Jeff Nelson, Attorney General's Office  
Kim Dentlinger, Treasurer of State  
Dane Lane, SIFIC

**LEASE-PURCHASE PRIOR NOTIFICATION**

(FOR PURCHASES OF \$50,000 OR MORE)

For Reporting Requirements per Section 8.46, Code of IowaAgency Name:  
Department of Human Services – Woodward  
Resource Center

Budget Unit/ Fund Name: Woodward

Budget Unit/ Fund No.:0001

**ACQUISITION INFORMATION**

Description of Acquisition: This project includes: two, 600-ton Trane chillers and one, 1,200-ton, two –cell Marley cooling tower, chilled water pumps, condenser water pumps, underground piping, microprocessor controls, and installation of the same to be fully funded through the lease proceeds. This project is required because Woodward's existing absorption chillers are non-functional, and the facility was forced to rent a chiller for all of the 2005 cooling season. See attached chart for component breakout of costs, savings, and useful lives of the equipment.

Type of Acquisition <input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Continuation	Duration of Contract (Mo/Yr) Start:06/19/2006 End:06/19/2016	Contract Type:	Estimated Useful Life: 25 years
Funding Sources	\$	Estimated Cost if Purchased Outright: \$2,512,681.00	
General Fund	\$		
Federal	\$ 2,028,915.00	Principal: \$ 2,512,681.00	
Revolving Fund	\$		
Road Use Tax	\$	Finance Charge: \$657,495.45	
Other (Specify) <u>County</u> , State, Misc.	\$ 1,141,261.45		
Total	\$ 3,170,176.45	Interest Rate: 4.21% + 60 bps = 4.81%	

**CASH FLOW**

	FY __07__	FY __08__	FY __09__	FY __10__	FY __11__	Total Cost
Principal	\$200,540.45	\$210,401.97	\$220,748.43	\$231,603.66	\$242,992.70	
Interest	\$116,477.23	\$106,615.71	\$96,269.25	\$85,414.02	\$74,024.98	
Total	\$317,017.68	\$317,017.68	\$317,017.68	\$317,017.68	\$317,017.68	
	FY '12	FY '13	FY '14	FY '15	FY '16	
Principal	\$254,941.79	\$267,478.49	\$280,631.65	\$294,431.64	\$308,910.22	\$2,512,681.00
Interest	\$62,075.89	\$49,539.19	\$36,386.03	\$22,586.04	\$8,107.46	\$657,495.45
Total	\$317,017.68	\$317,017.68	\$317,017.68	\$317,017.68	\$317,017.68	\$3,170,176.45

**JUSTIFICATION/CONSEQUENCES OF DELAY OR ABANDONMENT**

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Contact Person:  
Barry A. WillsTitle  
Business Manager:

Phone Number: 515/438-3121

Date: 05/30/06

INFORMATION SHEET FOR  
DEPARTMENT OF NATURAL RESOURCES  
ENERGY IMPROVEMENTS FINANCINGS

**LESSEE INFORMATION**

LESSEE: Iowa Department of Human Services – Woodward Resource Center

CONTACT PERSON: Barry Wills, Business Manager

ADDRESS: 1251 334<sup>th</sup> Street  
Woodward, IA 50276

TELEPHONE: 515-438-3121

FAX NUMBER: 515-438-3122

OFFICERS AUTHORIZED TO SIGN LEASE	TITLE
<u>Kevin W. Concannon</u>	<u>Director</u>

AN AGENCY OF: The Department of Human Services

DATE OF AUTHORIZATION BY BOARD Not Applicable (Include copies of any resolutions or minutes showing project approval)

DATE OF NOTIFICATION TO STATE LEGISLATIVE FISCAL BUREAU: May 10, 2006 (Include copy of written Notification)

LESSEE'S COUNSEL: Jeff Nelson, Iowa Attorney General's Office

**LESSOR INFORMATION**

LESSOR: Koch Financial Corporation

CONTACT PERSON: \_\_\_\_\_

ADDRESS: 17767 North Perimeter Drive  
Suite 101  
Scottsdale, Arizona 85255

TELEPHONE: 480-419-3633

FAX NUMBER: 480-419-3603

OFFICERS AUTHORIZED TO SIGN LEASE	TITLE
<u>Paul T. Haerle</u>	<u>Senior Vice President and Chief Operating Officer</u>

STATE OF INCORPORATION: Kansas

## PROJECT INFORMATION

AMOUNT: \$2,512,681.00

PROJECT DESCRIPTION: This project includes: two, 600-ton Trane chillers and one, 1,200-ton, two-cell Marley cooling tower, chilled water pumps, condenser water pumps, underground piping, microprocessor controls, and installation of same to be fully funded through the lease proceeds. This project is required because Woodward's existing absorption chillers are non-functional, and the facility was forced to rent a chiller for all of the 2005 cooling season. See attached chart for component breakout of costs, savings, and useful lives of the equipment.

ESTIMATED SOURCES AND USES OF FUNDS (Include interest earnings if anticipated)

Sources of Funds:

Lease	<u>\$2,512,681.00</u>
Interest	<u>0</u>

TOTAL	<u>\$2,512,681.00</u>
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Uses of Funds:

Component	Cost	Annual Savings	Useful Life (Years)
Chillers	\$346,764	\$162,582	25
Cooling Tower	\$161,035	N/A	25
Systecon Pump Packages	\$198,127	N/A	25
Building Automation	\$85,058	N/A	25
Mechanical Service	\$17,033	N/A	N/A
Commissioning	\$4,095	N/A	N/A
Variable Frequency Drives	\$11,548	N/A	25
Temporary Cooling	\$10,000	N/A	N/A
Payment Bond	\$10,530	N/A	N/A
Extended Warranty for Chillers	\$15,580	N/A	N/A
Mobilization & Demolition	\$122,674	N/A	N/A
Misc. Mechanical Equipment (DA tank, piping, etc.)	\$166,831	N/A	N/A
Misc. Electrical Equipment (transformers, wiring, etc.)	\$87,037	N/A	N/A
Insulation	\$48,500	N/A	N/A
Controls	\$193,718	N/A	N/A
Roofing	\$19,712	N/A	N/A
Steel	\$17,250	N/A	N/A
Installation Labor	\$485,952	N/A	N/A
Design & Construction Management	\$228,426	N/A	N/A
Underground Piping	\$282,811	N/A	N/A

TOTAL	<u>\$2,512,681.00</u>
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REIMBURSEMENT OF PRIOR EXPENDITURES?   X   Yes        No

If yes, describe expenditures and dates (Include copy of reimbursement resolution)

\$5,274.00 payment from SIFIC's Capital Fund to REW Services Corporation, for asbestos abatement expenses incurred by Woodward prior to lease closing.

EXPECTED COMMENCEMENT DATE OF CONSTRUCTION: Ongoing

EXPECTED COMPLETION DATE FOR CONSTRUCTION: June 30, 2006

PURCHASE DATE OF EQUIPMENT April 26, 2006

**LEASE DETAILS (PFM Estimates)**

CLOSING DATE FOR LEASE:

FIRST RENTAL PAYMENT DUE:

SUBSEQUENT QUARTERLY PAYMENTS:

ANNUAL INTEREST RATE:

MATURITY DATE OF LEASE:

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